

Pension Panel

25 July 2018

Investment Strategy Statement

Report by Director of Finance, Performance and Procurement

Summary

The Pension Panel has reviewed its approach to investment and appetite for risk. The de-risking approach the Panel previously adopted has been implemented and a new policy adopted to consolidated the Fund's strong funding position. Accordingly, this changes adopted by the Panel need to be captured in the relevant Fund policy documents.

Recommendation

That the Investment Strategy Statement is agreed.

Background

1. Under the LGPS Regulations the Administering Authority must publish an Investment Strategy Statements in accordance with the guidance set out by the Secretary of State. The Pensions Panel previously updated its Investment Strategy Statement in July 2017.
2. The Investment Strategy Statement must include:
 - a) A requirement to invest money in a wide variety of investments;
 - b) The authority's assessment of the suitability of particular investments and types of investments and the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
 - c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
3. The Pension Panel's Business Plan includes a priority relating to the Fund's Investment Strategy in respect of the Fund's strong asset performance, the need to ensure that the investment strategy remains aligned to meet its

long term objectives and in the context of Environmental, Social and Governance (ESG) issues.

4. In addition, the Pension Fund's risk register includes the risk that there are insufficient funds to meet pension obligations resulting in the Fund changing to a higher risk investment strategy and that the Pension Fund does not provide a clear and suitable investment strategy for Fund managers to follow. It should be noted that where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention.
5. Following the decisions made by the Pensions Panel in respect of the Pension Fund's investment strategy it is therefore appropriate for the Investment Strategy Statement to be reviewed and revised. The updated Strategy is included at Appendix 1.

Revised Investment Strategy Statement

6. The Pensions Panel have considered the Fund's investment strategy in the context of the de-risking triggers being exhausted and the strong funding position maintained by the Fund.
7. The revised Investment Strategy Statement reflects the Pensions Panel decisions to date, specifically:
 - The Panel's considerations, objectives and investment beliefs (see Appendix A of the updated attached Strategy for the Investment Beliefs).
 - The GrIP (growth, income and protection) framework, asset class classification and considerations in respect of private equity and income (see paragraphs 8 to 10 of Appendix 1).
 - De-risking and re-risking considerations (see paragraph 11 of Appendix 1).

Recommendation

8. It is recommended that the updated Investment Strategy Statement is agreed.

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Appendices

Appendix 1 – Investment Strategy Statement

Background Paper

- [Local Government Pension Scheme - Guidance on Preparing and Maintaining an Investment Strategy Statement](#)

